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28-21

Action ARA

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Control: 1122
Rec'd: June 2, 1954
5:58 p.m.

FROM: Guatemala City

TO: Secretary of State

NO: 866, June 2, Midnight

DEPARTMENT OF STATE
BUREAU OF
INTER-AMERICAN AFFAIRS
JUN - 3 1954
Tel. to Dept. 6/8/54
ARA:MID:

PRIORITY

Re EMBTEL 816, June 1.

Toriello's proposal for appointment non-government commission by Presidents Eisenhower and Arbenz to discuss problems affecting relations between two countries obviously designed to gain time to permit lowering of recent local tensions which have caused grave concern in Guatemalan Government circles and have greatly heartened opposition. Let-down in tensions following crisis caused by arrival arms already noticeable and they can be expected to decline further when government press seizes upon omission of economic sanctions from agenda of proposed Montevideo conference as evidence of strong Latin American support for Guatemala. Government's recent moves against opposition elements may also depress opposition morale. (EMBTEL 848, May 31.)

Under circumstances, it is desirable steps be taken to maintain tensions. Two such steps which occur to me are:

1. President Eisenhower might care to reply to pre-arranged questions in his next press conference that he has made no proposal of any kind for discussion of differences between US and Guatemala but state Department proposal for direct negotiation or arbitration of UFCO claims was rejected by Guatemalan Government. President might wish to add that he doubted visit by President Arbenz to Washington would be conducive to solution of problems in US-Guatemala relations as long as Communists retain their influence in Guatemalan political circles. These statements would scotch rumors of possible direct conversations between President Eisenhower and Arbenz and would make it difficult for Toriello to persist in his claim that President Eisenhower had proposed discussion of Guatemalan differences by an impartial board.

2. US Government might within next few days give notice intention denounce reciprocal trade treaty with Guatemala. This would cause great uncertainty in Guatemalan Government, business and other circles as it would be interpreted as preliminary application

REVIEWED BY D Rusher DATE 2/9/82

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application of economic sanctions by US Government. Denunciation would not only have immediate impact on political circles but would cause increasing concern during six-month period between denunciation of treaty and its expiration, particularly since new coffee crop will begin to move in December. Denunciation could be made on grounds that Guatemalan Government has repeatedly contravened terms of agreement and has not given us courtesy of substantive reply to its protests of these contraventions except in one instance in which its arguments were unsubstantial. See Embassy despatches 877, April 26, 1954; 773, March 10, 1954; 750, March 2, 1954.

PEURIFOY

MRS/8